

File No. 606

(Reprint of File No. 105)

Substitute Senate Bill No. 409
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
April 24, 1998

AN ACT CONCERNING THE FINANCIAL REQUIREMENTS FOR
LICENSING INSURANCE COMPANIES.

Be it enacted by the Senate and House of
Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 38a-72
2 of the general statutes is repealed and the
3 following is substituted in lieu thereof:

4 (a) No property or casualty insurance company
5 and no life insurance company shall be licensed
6 initially to do business in this state unless the
7 company complies with the following minimum
8 capital and minimum surplus requirements to write
9 these specified lines of insurance:

10 Stock Insurance Companies

11		Capital	Surplus
12 Health	\$	500,000	\$ 500,000
13 Life		1,000,000	2,000,000
14 Liability		500,000	500,000
15 Fidelity and Surety		500,000	500,000
16 Financial Guaranty		15,000,000	60,000,000
17 Marine		500,000	250,000

18 Mortgage Guaranty	2,000,000	2,000,000
19 Property	500,000	250,000
20 Workers' Compensation	500,000	500,000
21 Title	500,000	500,000
22 RESIDUAL VALUE	<u>2,000,000</u>	<u>1,000,000</u>
23 REINSURANCE		
24 (PROPERTY AND CASUALTY)	<u>2,000,000</u>	<u>2,000,000</u>
25 REINSURANCE (LIFE)	<u>1,000,000</u>	<u>2,000,000</u>

26 Mutual Insurance Companies

27 Surplus

28 Health	\$ 1,000,000
29 Life	3,000,000
30 Liability	1,000,000
31 Fidelity and Surety	1,000,000
32 Financial Guaranty	75,000,000
33 Marine	750,000
34 Mortgage Guaranty	4,000,000
35 Property	750,000
36 Workers' Compensation	1,000,000
37 Title	1,000,000
38 RESIDUAL VALUE	<u>3,000,000</u>
39 REINSURANCE	
40 (PROPERTY AND CASUALTY)	<u>4,000,000</u>
41 REINSURANCE (LIFE)	<u>3,000,000</u>

42 Sec. 2. Section 38a-76 of the general
 43 statutes is repealed and the following is
 44 substituted in lieu thereof:

45 (a) Each insurance company transacting
 46 business in this state shall, at all times,
 47 maintain reserves equal in amount to its liability
 48 under all its policy contracts, as the same are
 49 computed in accordance with the provisions of the
 50 statutes or with the requirements of the
 51 commissioner adopted upon reasonable consideration
 52 of ascertained experience for the purpose of
 53 adequately protecting the insured or securing the
 54 solvency of such company.

55 (b) A DOMESTIC INSURER TRANSACTING INSURANCE
 56 ONLY IN A FOREIGN COUNTRY MAY CALCULATE ITS
 57 RESERVES ON INSURANCE WRITTEN IN THAT FOREIGN
 58 COUNTRY IN ACCORDANCE WITH THE RESERVE STANDARDS
 59 REQUIRED OR OTHERWISE APPROVED BY SUCH FOREIGN
 60 COUNTRY. FOR PURPOSES OF THIS SECTION AND SECTION
 61 38a-77, AS AMENDED BY THIS ACT, (1) A DOMESTIC

62 INSURER SHALL BE DEEMED TO "TRANSACT INSURANCE" OR
63 "DO BUSINESS" IN A STATE, DISTRICT OR TERRITORY OF
64 THE UNITED STATES IF, WITHIN ANY STATE, DISTRICT
65 OR TERRITORY OF THE UNITED STATES, THAT INSURER
66 SELLS OR ISSUES ANY POLICY CONTRACT OR OTHERWISE
67 MAKES ANY SOLICITATION OR INDUCEMENT OR ENGAGES IN
68 ANY NEGOTIATIONS WITH RESPECT TO THE SAME; BUT (2)
69 AN INSURER SHALL NOT BE DEEMED TO TRANSACT
70 INSURANCE OR DO BUSINESS IN A STATE, DISTRICT OR
71 TERRITORY OF THE UNITED STATES BY REASON OF THE
72 FACT THAT SUCH INSURER (A) HOLDS A LICENSE TO
73 TRANSACT INSURANCE IN A STATE, DISTRICT OR
74 TERRITORY OF THE UNITED STATES; (B) HAS ISSUED
75 INSURANCE POLICIES OR CONTRACTS TO RESIDENTS OF A
76 FOREIGN COUNTRY WHO SUBSEQUENTLY RESIDE IN A
77 STATE, DISTRICT OR TERRITORY OF THE UNITED STATES;
78 OR (C) PERFORMS ADMINISTRATIVE OR OVERSIGHT
79 FUNCTIONS IN A STATE, DISTRICT OR TERRITORY OF THE
80 UNITED STATES. A DOMESTIC INSURER TRANSACTING
81 INSURANCE ONLY IN A FOREIGN COUNTRY MAY INVEST ITS
82 FUNDS IN A MANNER CONSISTENT WITH THE LAWS,
83 REGULATIONS AND ADMINISTRATIVE PRACTICES OF THE
84 FOREIGN COUNTRY IN WHICH IT TRANSACTS INSURANCE
85 WITHOUT LIMITATIONS UNDER SECTIONS 38a-102 TO
86 38a-102h, INCLUSIVE, AS AMENDED BY THIS ACT.

87 Sec. 3. Subsection (a) of section 38a-77 of
88 the general statutes is repealed and the following
89 is substituted in lieu thereof:

90 (a) The commissioner, upon receipt of the
91 annual report of each domestic, foreign and alien
92 life insurance company doing business in this
93 state, AS DETERMINED UNDER SUBSECTION (b) OF
94 SECTION 38a-76, AS AMENDED BY THIS ACT, shall make
95 a valuation of all its outstanding policies,
96 additions thereto, unpaid dividends and other
97 obligations. The provisions of this section shall
98 not apply to policies or certificates in which the
99 amount of insurance or benefit is determined by an
100 assessment collected from the surviving and
101 associated holders of like policies or
102 certificates, and not by a guaranty or pledge of
103 insurance irrespective of the amount thus
104 collected; provided any amount collected upon such
105 assessments, until expended for the purpose for
106 which it was collected, shall be charged as a
107 liability against the company or association
108 holding the same.

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER sSB 409

STATE IMPACT None, see explanation below

MUNICIPAL IMPACT None

STATE AGENCY(S) Department of Insurance

EXPLANATION OF ESTIMATES:

There is no fiscal impact on the Department of Insurance as a result of the passage of this bill.

The bill specifies the capital and surplus requirements necessary to be licensed as property-casualty insurer on a life insurer in the State of Connecticut. It has no impact on the workload of the Department of Insurance.

House "A" is technical in nature and has no fiscal impact.

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OLR AMENDED BILL ANALYSIS

sSB 409 (File 105, as amended by and House "A")*

AN ACT CONCERNING THE FINANCIAL REQUIREMENTS FOR LICENSING INSURANCE COMPANIES

SUMMARY: This bill exempts Connecticut insurers that transact business only in foreign countries from the state's reserve requirements and investment limitations. These insurers may determine their reserves on foreign business in accordance with the standards approved in the foreign country and invest

their funds consistent with the laws, regulations, and administrative practices of that country.

The bill sets minimum capital and surplus requirements for residual value and property and casualty and life reinsurance companies to qualify for a license.

*House Amendment "A" restores a provision of the law allowing a domestic insurer that transacts foreign insurance business to invest funds necessary to meet the obligations of that business without regard to the limitations on insurance company investments, which the bill had modified.

EFFECTIVE DATE: October 1, 1998

FURTHER EXPLANATION

Exempt Insurers

The bill deems any domestic insurer to be transacting insurance domestically if, within any state, district, or territory of the United States it sells or issues a policy or otherwise solicits, induces, or engages in negotiations related to such sale or policy issuance.

The bill specifies that an insurer is not deemed to be transacting insurance or doing business domestically solely because it (1) holds a license to transact insurance in any state, district, or territory; (2) issued policies or contracts to residents of a foreign country who later reside in one of those jurisdictions; or (3) performs administrative or oversight functions in one.

Minimum Capital and Surplus

The bill sets the following minimum capital and surplus requirements. Stock companies offering residual value insurance must have \$2 million in capital and \$1 million in surplus. Property and casualty risk reinsurers must have \$2 million each in both capital and surplus. Stock life reinsurers must have \$1 million in capital and \$2 million in surplus.

Mutual residual value companies must have \$3 million in surplus. Those that reinsure property and casualty risk must have \$4 million in surplus. Mutuals that reinsure

life risk must have \$3 million in surplus.

BACKGROUND

Legislative History

On April 15, the Senate adopted Senate "A" and passed the amended bill. On April 23, the House rejected Senate "A" and adopted House "A" which allows a domestic insurer that only transacts foreign business to do so without regard to the investment restrictions. Senate "A" would have limited the exemption from investment restrictions to insurers that engaged in both domestic and foreign business.

Reserves and Investments

Domestic insurers must maintain reserves equal to their liability under all policies at all times to adequately protect insureds or secure the company's solvency. They may make or acquire investments that are prudent with respect to their lines of business and diversification considerations and subject to certain percentage limitations.

Residual Value Insurance

"Residual value insurance" is insurance issued in connection with a lease or contract that has a specific termination value at the end of the lease or contract term. The insurance protects against the loss of economic value of tangible personal property or real property or improvements. It does not insure against loss due to property damage.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 16 Nay 0